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**DEPARTMENT OF DEFENSE**

**GENERAL SERVICES ADMINISTRATION**

**NATIONAL AERONAUTICS AND SPACE ADMINISTRATION**

**48 CFR Parts 31 and 52**

**[FAC 2005-55; FAR Case 2010-005; Item VI; Docket 2010-0005,  
Sequence 1]**

**RIN 9000-AM00**

**Federal Acquisition Regulation; Updated Financial Accounting  
Standards Board Accounting References**

**AGENCIES:** Department of Defense (DoD), General Services Administration (GSA), and National Aeronautics and Space Administration (NASA).

**ACTION:** Final rule.

**SUMMARY:** DoD, GSA, and NASA are issuing a final rule amending the Federal Acquisition Regulation (FAR) to update references to authoritative accounting standards owing to the Financial Accounting Standards Board's Accounting Standards Codification of Generally Accepted Accounting Principles.

**Effective Date:** [INSERT DATE 30 DAYS AFTER PUBLICATION IN  
THE FEDERAL REGISTER.]

**FOR FURTHER INFORMATION CONTACT:** Mr. Edward N. Chambers, Procurement Analyst, at (202) 501-3221, for clarification of content. For information pertaining to status or publication schedules, contact the Regulatory Secretariat at (202) 501-4755. Please cite FAC 2005-55, FAR Case 2010-005.

## **SUPPLEMENTARY INFORMATION:**

### **I. Background**

DoD, GSA, and NASA published a proposed rule in the Federal Register at 76 FR 8989 on February 16, 2011, to update the references based upon the Financial Accounting Standards Board's (FASB) Statement Number 168 which stated that the FASB Accounting Standards Codification (ASC) would become the source of authoritative U.S. Generally Accepted Accounting Principles (GAAP) recognized by the FASB to be applied to nongovernmental entities. The revisions are intended to have no effect other than to simply replace the superseded references with updated references. The Regulatory Secretariat received one response to the proposed rule.

### **II. Discussion and Analysis**

The Civilian Agency Acquisition Council and the Defense Acquisition Regulations Council reviewed the public comment in the development of the final rule. A discussion of the comment follows:

#### **Executive compensation reporting**

Comment: The respondent inquired if the executive compensation reporting language applied to private companies that through the normal course of business have no interest in disclosing this information to the public/Government.

Response: This comment is outside the scope of this case, which was limited to simply replacing superseded FAR references with updated references. FAR 4.1403 delineates which Government contracts require the reporting of executive compensation (FAR clause 52.204-10).

### **III. Executive Orders 12866 and 13563**

Executive Orders (E.O.s) 12866 and 13563 direct agencies to assess all costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits (including potential economic, environmental, public health and safety effects, distributive impacts, and equity). E.O. 13563 emphasizes the importance of quantifying both costs and benefits, of reducing costs, of harmonizing rules, and of promoting flexibility. This is not a significant regulatory action and, therefore, was not subject to review under section 6(b) of E.O. 12866, Regulatory Planning and Review, dated September 30, 1993. This rule is not a major rule under 5 U.S.C. 804.

### **IV. Regulatory Flexibility Act**

The Department of Defense, the General Services Administration, and the National Aeronautics and Space Administration certify that this final rule will not have a significant economic impact on a substantial number of small entities within the meaning of the Regulatory Flexibility

Act, 5 U.S.C. 601, et seq., because the rule makes administrative changes only by merely updating references to authoritative accounting standards owing to the Financial Accounting Standard Board's Accounting Standards Codification of Generally Accepted Accounting Principles.

**V. Paperwork Reduction Act**

The final rule does not contain any information collection requirements that require the approval of the Office of Management and Budget under the Paperwork Reduction Act (44 U.S.C. chapter 35).

**List of Subjects in 48 CFR Parts 31 and 52**

Government procurement.

Dated: December 21, 2011.

/s/

Laura Auletta,  
Director, Office of Governmentwide  
Acquisition Policy,  
Office of Acquisition Policy,  
Office of Governmentwide Policy

Therefore, DoD, GSA, and NASA amend 48 CFR parts 31 and 52 as set forth below:

1. The authority citation for 48 CFR parts 31 and 52 continues to read as follows:

**Authority:** 40 U.S.C. 121(c); 10 U.S.C. chapter 137; and 42 U.S.C. 2473(c).

**PART 31—CONTRACT COST PRINCIPLES AND PROCEDURES**

2. Amend section 31.205-11 by revising the introductory text of paragraph (h) to read as follows:

**31.205-11 Depreciation.**

\* \* \* \* \*

(h) A "capital lease," as defined in Financial Accounting Standards Board's Accounting Standards Codification (FASB ASC) 840, Leases, is subject to the requirements of this cost principle. (See 31.205-36 for Operating Leases.) FASB ASC 840 requires that capital leases be treated as purchased assets, i.e., be capitalized, and the capitalized value of such assets be distributed over their useful lives as depreciation charges or over the leased life as amortization charges, as appropriate, except that—

\* \* \* \* \*

3. Amend section 31.205-36 by revising paragraph (a) to read as follows:

**31.205-36 Rental costs.**

(a) This subsection is applicable to the cost of renting or leasing real or personal property acquired under "operating leases" as defined in Financial Accounting Standards Board's Accounting Standards Codification (FASB ASC) 840, Leases. (See 31.205-11 for Capital Leases.)

\* \* \* \* \*

## **PART 52—SOLICITATION PROVISIONS AND CONTRACT CLAUSES**

4. Amend section 52.204-10 by revising the date of the clause, and in paragraph (a), in the definition "Total compensation", revising paragraph (2) to read as follows:

**52.204-10 Reporting Executive Compensation and First-Tier Subcontract Awards.**

\* \* \* \* \*

REPORTING EXECUTIVE COMPENSATION AND FIRST-TIER SUBCONTRACT AWARDS  
( [INSERT ABBREVIATED MONTH AND YEAR 30 DAYS AFTER DATE OF PUBLICATION  
IN THE FEDERAL REGISTER] )

\* \* \* \* \*

Total compensation \* \* \*

(2) Awards of stock, stock options, and stock appreciation rights. Use the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year in accordance with the Financial Accounting Standards Board's Accounting Standards Codification (FASB ASC) 718, Compensation-Stock Compensation.

\* \* \* \* \*

5. Amend section 52.212-5 by revising the date of the clause and paragraph (b) (4) to read as follows:

**52.212-5 Contract Terms and Conditions Required To Implement Statutes or Executive Orders—Commercial Items.**

\* \* \* \* \*

CONTRACT TERMS AND CONDITIONS REQUIRED TO IMPLEMENT STATUTES OR  
EXECUTIVE ORDERS—COMMERCIAL ITEMS ( [INSERT ABBREVIATED MONTH AND YEAR  
30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER] )

\* \* \* \* \*

(b) \* \* \*

(4) 52.204-10, Reporting Executive Compensation and  
First-Tier Subcontract Awards ( [INSERT ABBREVIATED MONTH AND YEAR  
30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER] ) (Pub. L.  
109-282) (31 U.S.C. 6101 note).

\* \* \* \* \*

6. Amend section 52.213-4 by revising the date of the  
clause and paragraph (a)(2)(i) to read as follows:

**52.213-4 Terms and Conditions—Simplified Acquisitions  
(Other Than Commercial Items).**

\* \* \* \* \*

TERMS AND CONDITIONS—SIMPLIFIED ACQUISITIONS (OTHER THAN COMMERCIAL  
ITEMS) ( [INSERT ABBREVIATED MONTH AND YEAR 30 DAYS AFTER DATE OF  
PUBLICATION IN THE FEDERAL REGISTER] )

(a) \* \* \*

(2) \* \* \*

(i) 52.204-10, Reporting Executive Compensation  
and First-Tier Subcontract Awards ( [INSERT ABBREVIATED MONTH AND  
YEAR 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER] ) (Pub.  
L. 109-282) (31 U.S.C. 6101 note).

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[BILLING CODE 6820-EP]

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